

1 WILMER CUTLER PICKERING  
2 HALE AND DORR LLP

3 SONAL N. MEHTA (SBN 222086)  
4 Sonal.Mehta@wilmerhale.com  
5 2600 El Camino Real, Suite 400  
6 Palo Alto, California 94306  
7 Telephone: (650) 858-6000

8 DAVID Z. GRINGER (*pro hac vice*)  
9 David.Gringer@wilmerhale.com  
10 PAUL VANDERSLICE (*pro hac vice*)  
11 Paul.Vanderslice@wilmerhale.com  
12 7 World Trade Center  
13 250 Greenwich Street  
14 New York, New York 10007  
15 Telephone: (212) 230-8800

16 *Attorneys for Defendant Coinbase Global, Inc.*

17 **UNITED STATES DISTRICT COURT**  
18 **NORTHERN DISTRICT OF CALIFORNIA**  
19 **SAN FRANCISCO DIVISION**

20 BIT GLOBAL DIGITAL LIMITED,

21 Plaintiff,

22 v.

23 COINBASE GLOBAL, INC.,

24 Defendant.

Case No. 3:24-cv-09019-AMO

**DECLARATION OF DANIEL KIM IN  
SUPPORT OF COINBASE'S  
OPPOSITION TO *EX PARTE*  
EMERGENCY MOTION FOR  
TEMPORARY RESTRAINING ORDER  
AND PRELIMINARY INJUNCTION**

1 I, Daniel Kim, declare as follows:

2 1. I am the Vice President of Business Development and Head of Listings at Coinbase,  
3 Inc. (“Coinbase”). I lead a team that empowers developers to deliver the power of crypto to  
4 everyone, everyday, anywhere in the world. Specifically, Coinbase’s Listings team, which reports  
5 to me, is responsible for evaluating and approving digital assets to be issued on Coinbase’s  
6 platform. Based on my experience, and my review of Coinbase’s internal data, I have personal  
7 knowledge of the facts set forth below.

8 2. Before joining Coinbase in 2021, I served in executive roles at multiple technology  
9 companies in the Bay Area, and also gained experience in financial analysis and investment  
10 banking at Deloitte & Touche LLP and JP Morgan, among other institutions.

11 **I. Cryptocurrency**

12 3. Cryptocurrency is digital currency that uses cryptography to enable secure  
13 transactions, rather than relying on a bank or government. It was created in the late 2000s and  
14 emerged in the early 2010s as an alternative to traditional financial systems. Today, the global  
15 cryptocurrency market cap is approximately \$3.79 trillion.

16 4. Cryptocurrency gained traction as a financial system because of its decentralization  
17 and independence from banks and governments. However, like any financial system, there are  
18 risks. Thus, consumer confidence is paramount to making the system work.

19 5. Each type of cryptocurrency operates by using a digital ledger, called the  
20 blockchain, to track transactions. Rather than being stored in one location, the blockchain is  
21 distributed across users’ machines.

22 6. Bitcoin was the first cryptocurrency and continues to be the most well-known one.  
23 Bitcoin’s focus on blockchain security helped it gain popularity, and over time it became the most  
24 valuable cryptocurrency. Since the creation of Bitcoin, new cryptocurrencies have emerged.

25 7. One of those newer cryptocurrencies is Ethereum. “Ethereum” can refer either to  
26 the digital asset itself (although it is also known as Ether) or to the Ethereum network. Ethereum’s  
27 most notable advantage over Bitcoin is that Ethereum can run “smart contracts”—computer

1 programs that automatically execute certain transactions when predetermined conditions are met.  
2 Smart contracts are valuable in that they simplify business, eliminate intermediaries, and cannot  
3 be altered once written. While Bitcoin can store transactions on its blockchain, it cannot run smart  
4 contracts.

## 5 **II. Coinbase**

6 8. A cryptocurrency exchange allows users to buy, sell, store, and exchange  
7 cryptocurrencies (or “digital assets”).

8 9. Coinbase operates an exchange that currently supports over 270 types of digital  
9 assets, including Bitcoin and Ethereum. Coinbase provides its customers with a trusted platform  
10 on which they can buy, sell, store, and exchange digital assets. This combination of services makes  
11 Coinbase a “centralized” exchange. Coinbase Global, Inc., the parent of Coinbase, Inc., has been  
12 a publicly traded U.S. company on the Nasdaq exchange since April 2021, and is audited by  
13 Deloitte & Touche LLP.

14 10. Coinbase is the largest U.S.-based cryptocurrency exchange, but it faces robust  
15 competition from dozens of other centralized exchanges. Many exchanges experience rapid  
16 growth during bull markets, and in recent months, the exchange crypto.com has gained a  
17 significant share of the U.S. trading volume, at times surpassing Coinbase’s share of volume.  
18 Globally, the largest exchange is Binance.

19 11. Beyond centralized exchanges, Coinbase also faces increasing competition from  
20 decentralized exchanges (or “DEX”), which are peer-to-peer marketplaces where transactions  
21 occur directly between crypto traders. The most popular DEXs—like Uniswap—utilize the  
22 Ethereum blockchain and allow users to trade digital assets without an intermediary.

## 23 **III. “Wrapped” Tokens**

24 12. Because different blockchains, like Bitcoin and Ethereum, have different protocols  
25 and algorithms, digital assets on one network are typically incompatible with other networks.  
26 “Wrapped” tokens are an innovation that was developed in part to overcome this interoperability  
27 challenge, by using smart contracts to lock a digital asset and “wrapping” that asset with a newly  
28

1 issued token representing the locked one. Simply put, one can “wrap” Bitcoin in an Ethereum  
2 wrapper so that the Bitcoin can be used in transactions on the Ethereum network.

3 13. A user “wraps”—or “mints”—Bitcoin by giving Bitcoin to a merchant. The  
4 merchant deposits that Bitcoin with a custodian, and the custodian issues new tokens of equivalent  
5 value to the deposited Bitcoin on another blockchain network, such as Ethereum. These new  
6 tokens, the wrapped Bitcoin, act as a proxy for the underlying Bitcoin asset, and the custodian  
7 holds the Bitcoin for the user. Wrapped Bitcoin, therefore, enables holders of Bitcoin to participate  
8 on non-native platforms, like Ethereum, without having to sell their Bitcoin.

9 14. Because wrapped Bitcoin is backed by Bitcoin, the value of wrapped Bitcoin  
10 generally tracks that of Bitcoin. If a wrapped Bitcoin owner wants to redeem their wrapped Bitcoin  
11 for the underlying Bitcoin, they can inform the merchant, who will send the wrapped Bitcoin to  
12 the custodian. The custodian then “burns” the wrapped Bitcoin and returns the appropriate amount  
13 of Bitcoin back to the user via the merchant. Wrapped Bitcoin can also be traded or sold to third  
14 parties.

15 15. Wrapped Bitcoin has a key risk that Bitcoin does not. While the holder of a Bitcoin  
16 possesses the Bitcoin, holders of the wrapped token rely on the custodian of the underlying Bitcoin  
17 to hold that asset for them. If the custodian of the wrapped Bitcoin misappropriates it (*e.g.*, by  
18 trading it to someone else), the holders of the wrapped token would be left with a worthless asset.  
19 Similarly, if the custodian were to be hacked or compromised, the wrapped token could become  
20 worthless. It is therefore critical that custodians of wrapped Bitcoin be trustworthy.

#### 21 **IV. wBTC and Wrapped Bitcoin**

22 16. In January 2019, digital asset company BitGo began issuing its wrapped Bitcoin  
23 tokens (known as “wBTC”) on the Ethereum network.

24 17. After satisfying Coinbase’s listing standards, wBTC was approved for listing on  
25 Coinbase’s exchange in October 2020. I understand that my colleague, Court Hillman, is  
26 submitting a declaration to the Court describing in further detail the process by which wBTC was  
27 listed, so I do not go into those details here.

18. wBTC is only one of several types of wrapped Bitcoin. Others include tBTC, renBTC, and, most recently, Coinbase’s wrapped Bitcoin, cbBTC. Different exchanges offer different wrapped Bitcoin tokens. For example, Binance offers only wBTC, whereas an exchange known as Kraken offers wBTC, tBTC, and its own wrapped Bitcoin, kBTC.

19. Because all wrapped Bitcoin tokens aim to track the price of Bitcoin, fluctuations in the value of Bitcoin affect the value of the various wrapped Bitcoin tokens similarly.

## **V. The Market’s Reaction to BitGo’s Joint Venture with BiT Global**

20. In August 2024, BitGo announced a joint venture with BiT Global, a Hong Kong-based company affiliated with Justin Sun, and Mr. Sun’s cryptocurrency network, the TRON ecosystem. Pursuant to this change in control, BitGo would hold only a minority stake in the joint venture and the majority stake would be owned by BiT Global. This would also result in custody of the underlying Bitcoin being split across multiple jurisdictions, including Hong Kong and Singapore.

21. The crypto community reacted with alarm to the BitGo announcement. MakerDAO—a prominent decentralized blockchain protocol on Ethereum that enables users to borrow and lend cryptocurrencies—stated: “On the whole, we find that Sun’s involvement as a controlling interest in the new WBTC joint venture presents an unacceptable level of risk.” Numerous members of the crypto community made similar statements on X in response to the official announcement:

- “This is insane . . . Justin Sun? You have to be joking. Who would ever trust this guy?”
- “This kills the WBTC.”
- “Will sell my wBTC”
- “One of the worst strategic decisions I have ever seen.”
- “Justin Sun bout to do some more crime yall.”
- “Jahahahaha sharing a key with Justin Sun???? 🤪🤪🤪🤪🤪”

22. The crypto community had good reason for its alarm. Mr. Sun has had a long history of suspicious conduct that has drawn scrutiny from the crypto community and regulators alike. When he first launched the TRON cryptocurrency ecosystem in 2017, for example, researchers immediately noticed suspicious similarities between TRON and other existing platforms. Juan Benet, the founder of Protocol Labs, noticed that 9 pages of the TRON whitepaper had been directly plagiarized from Benet's prior work. Digital Asset Research, a cryptocurrency security research firm, similarly found that TRON had directly copied code from the Ethereum protocol.

23. In 2019, Mr. Sun acquired the cryptocurrency exchange Poloniex. It has been reported in a lengthy expose by *The Verge* that Mr. Sun moved the company's registration to the Seychelles and employed a variety of questionable tactics to increase profitability and enrich himself.<sup>1</sup> As one example, *The Verge* reported that he encouraged employees to ignore Poloniex's Know Your Customer ("KYC") program to increase the number of customers on the exchange. "Know-your-customer" rules are enforced by companies to prevent fraud on their platforms, and are sometimes required by government regulators. KYC information is often checked against databases of known criminals who are banned from the international financial system to ensure that the exchange is not an end-run around restrictions. According to *The Verge's* investigation, "Sun also began impatiently bulldozing Poloniex's KYC rules, which were slowing Poloniex's user adoption in China to a crawl. A former employee said the logjam enraged Sun. 'Fake the KYC!' he screamed at one meeting. 'Fake it!'" As another example, *The Verge* reported that Mr. Sun initiated a project "Operation Couch Cushions" that channeled residual assets (assets trapped in an old exchange that were unrecoverable or forgotten by their owners, which might be small amounts for any individual but were substantial in aggregate) from user accounts to a Poloniex-controlled account. According to *The Verge*, the change collected from the digital couch cushions amounted to roughly 300 Bitcoin worth \$20 million dollars at the time (now worth over \$30

<sup>1</sup> Harland-Dunaway, Christopher, "The Many Escapes of Justin Sun," THE VERGE (Mar. 9, 2022), <https://www.theverge.com/c/22947663/justin-sun-tron-cryptocurrency-poloniex>.

1 million), and according to employees it was “understood Justin Sun would take the Bitcoin  
2 personally. According to a former employee, Sun continually asked people involved with the  
3 project one question: ‘Where’s my 300 Bitcoin?’”

4 24. Mr. Sun has also been investigated and sued for manipulating the price of TRX,  
5 TRON’s flagship cryptocurrency. In 2023, Mr. Sun was sued by the SEC for allegedly engaging  
6 in fraudulent activities such as “wash trading” (market manipulation where the same entity buys  
7 and sells financial instruments to create the false impression of market activity to drive up price)  
8 in the secondary market for TRX in order to raise its price. That case is *SEC v. Sun*, No. 1:23-cv-  
9 02433 (S.D.N.Y. Mar. 22, 2023).

10 25. It has also been reported that as of 2022, Mr. Sun was under investigation by the  
11 FBI and the U.S. Attorney’s Office for the Southern District of New York for potential criminal  
12 charges.<sup>2</sup>

13 26. Since the August announcement that Mr. Sun’s BiT Global would take over  
14 majority control of wBTC, the risk team at MakerDAO published a post on its forum expressing  
15 its concerns about the joint venture and proposing that wBTC be delisted as collateral.  
16 Additionally, the MakerDAO team observed that, after a different digital asset, TUSD, was placed  
17 into Justin Sun’s control, its management team promptly resigned and the quality and transparency  
18 of its services dramatically deteriorated.

19 27. Since the news of Mr. Sun’s involvement, the total supply of wBTC has dropped  
20 precipitously, from over 154,000 wBTC tokens on August 1, 2024, to less than 147,000 tokens on  
21 November 18, 2024—the equivalent of roughly \$713 million. Part of this drop is attributable to  
22 HTX, an exchange owned by Mr. Sun, which burned over 5,000 tokens that had not previously  
23 been declared as being in HTX’s reserves. And all of this drop preceded the announcement of  
24 Coinbase’s decision to delist wBTC.

25 28. I understand that Mr. Hillman will discuss Coinbase’s reaction to the announcement  
26 of Mr. Sun’s involvement in wBTC in his declaration, so I do not address it in detail here. Suffice

27  
28 <sup>2</sup> See Harland-Dunaway, *supra* n.1.

1 it to say that Coinbase had significant concerns about continuing to list a digital asset now affiliated  
2 with Mr. Sun and began an internal review process to evaluate whether that asset continued to  
3 meet Coinbase's listing standards.

4 **VI. Launch of cbBTC**

5 29. Coinbase has been considering releasing its own wrapped Bitcoin product for  
6 several years.

7 30. Recently, Coinbase has seen enormous growth in its Base L2 protocol ("Base"),  
8 which connects to the Ethereum network and allows faster, cheaper trades than on Ethereum itself.  
9 But because Bitcoin cannot operate on Ethereum, Base requires a wrapped Bitcoin product in order  
10 to have access to Bitcoin.

11 31. Before the launch of cbBTC, Coinbase relied on wBTC to ensure Base could have  
12 access to the Bitcoin market.

13 32. As noted, trust is essential for wrapped cryptocurrency assets like wBTC. Once  
14 Coinbase lost trust in wBTC, upon the August announcement that Mr. Sun (and his entities) would  
15 be affiliated with wBTC, Coinbase recognized that there was a need for wrapped Bitcoin held in  
16 custody by a trusted entity.

17 33. Coinbase therefore decided to launch cbBTC to serve as a trusted wrapped  
18 cryptocurrency.

19 34. The launch of cbBTC generated significant interest and excitement within the  
20 crypto community, and sparked optimism about the potential cbBTC offered to further integrate  
21 Bitcoin into Ethereum and other more advanced blockchains. For example, commenters on Reddit  
22 and Quora "express[ed] optimism about [cbBTC's] potential to integrate Bitcoin into  
23 [decentralized finance]" and praised "Coinbase's reputation for transparency and security [which  
24 has] bolstered confidence in cbBTC, distinguishing it from competitors like wBTC."<sup>3</sup>

25  
26  
27 <sup>3</sup> Fernandez, Elena, "Coinbase Unveils CbBTC: Revolutionizing Bitcoin Liquidity And DeFi Integration," CTOL  
28 DIGITAL SOLS. (Sept. 12, 2024), <https://www.ctol.digital/news/coinbase-launches-cbbtc-token-on-ethereum-and-base/#industry-and-community-reception>.



## VII. Consequences of Delisting wBTC

35. As described, Coinbase's decision to delist wBTC was based on a determination that the risks associated with wBTC (arising from the August 2024 joint venture with Bit Global) were inconsistent with Coinbase's commitment to providing a safe and secure marketplace for its users.

36. Delisting wBTC does not remove wBTC from Coinbase's platform and Coinbase customers still retain the option to hold and secure the wBTC they already own. They will also be free to send their wBTC to any of the many competing cryptocurrency platforms, where they can trade freely in wBTC. Users simply cannot buy or sell wBTC on Coinbase's platform after delisting.

37. In addition, Coinbase users can continue to purchase wBTC through Coinbase Wallet, a separate application that allows purchases through decentralized exchanges and operates separately from Coinbase's retail exchange. Coinbase Wallet is a self-custodial wallet (meaning users have custody of the keys to their crypto, Coinbase does not) where thousands of digital assets are available.

38. As of today, wBTC remains available for purchase on other exchanges, should consumers still wish to purchase the asset.

39. Similarly, delisting wBTC does not force users into using cbBTC (or any other wrapped Bitcoin product). Users can simply hold their existing wBTC, convert it into any other product, or transfer it to other exchanges. Users can also use other wrapped Bitcoin offerings if they should choose.

40. Delisting wBTC is also not likely to have a material effect on the overall trading market for wBTC. wBTC is largely traded on DEXs, not centralized retail platforms like Coinbase. One such DEX is Uniswap, which is estimated to have a greater than 60% share of trading for wBTC. Conversely, Coinbase's share of global trading in wBTC is less than 1%. Messari (a central hub for research and data related to the cryptoeconomy that many in the industry look to for crypto data) indicates that wBTC trading on Uniswap and Binance is in the tens of millions of

1 dollars in every 24 hours, while estimating the corresponding share on Coinbase to be in the  
2 hundreds of thousands of dollars. I have attached, as Exhibit A, a true and correct printout from  
3 <https://messari.io/project/wrapped-bitcoin/markets>, captured on the day of this filing.

4 41. It is also important to note that Coinbase is a secondary market for wBTC and thus  
5 Coinbase does not impact the amount of wBTC in circulation. In other words, buying wBTC on  
6 Coinbase does not involve wrapping or minting (no new wBTC is created); instead, existing wBTC  
7 is traded, so the net impact on wBTC is always zero. Similarly, a sale of wBTC on Coinbase does  
8 not involve burning—instead, existing wBTC is traded.

9 42. Moreover, Coinbase’s delisting decision is not a permanent one. Coinbase could  
10 decide to relist wBTC in the future if the circumstances that resulted in the delisting change.  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

1 I declare under penalty of perjury that the foregoing is true and correct, and that this declaration  
2 was executed on December 17, 2024, in Oakland, California.

3  
4 /s/ Daniel Kim  
Daniel Kim

5  
6  
7 **ATTORNEY ATTESTATION**

8 I, Sonal N. Mehta, am the ECF User whose ID and password are being used to file the foregoing.  
9 In compliance with Civil Local Rule 5-1(i)(3), I hereby attest that concurrence in the filing of this  
10 document has been obtained from each signatory.  
11

12 By: /s/ Sonal N. Mehta  
13 Sonal N. Mehta  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27